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MONTANA LEGISLATIVE HISTORY

Chapter 226 ~~19~~ 2001

Bill H 377 S _____ Original bill & history ✓ C

H. Committee on TAX		S. Committee on ✓	
Hearing Date(s) 1/26	✓ C	Hearing Date(s) 3/15	✓ C
	C		C
	C		C
	C		C
Date Out 2/16	✓ C	3/15	✓

Did this bill originate in an interim committee? ___ Yes ✓ No

Committee _____ Report _____

1/30	Hearing		
2/16	Committee Executive Action--Bill Passed as Amended	12	0
2/16	Committee Report--Bill Passed as Amended		
2/20	2nd Reading Passed	97	3
2/21	3rd Reading Passed	93	7
	Transmitted to Senate		
2/28	Referred to State Administration		
3/08	Hearing		
3/15	Committee Executive Action--Bill Concurred	8	0
3/15	Committee Report--Bill Concurred		
3/17	2nd Reading Concurred on Voice Vote	46	0
3/19	3rd Reading Concurred	49	0
	Returned to House		
3/20	Sent to Enrolling		
3/20	Returned from Enrolling		
3/27	Signed by Speaker		
3/27	Signed by President		
3/28	Transmitted to Governor		
4/02	Signed by Governor		
4/02	Chapter Number Assigned		
	Chapter Number 178		
	Effective Date: 4/02/2001 - All Sections		

HB 375 Introduced by Carney *LC0692 Drafter: Kurtz*

Clarify Nonresident Health Care Professional Vehicle Registration Exemption

By Request of Attorney General

1/23	Introduced		
1/23	Referred to Transportation		
1/29	Hearing		
2/01	Committee Executive Action--Bill Passed	18	0
2/01	Committee Report--Bill Passed		
2/03	2nd Reading Passed	93	6
2/05	3rd Reading Passed	95	4
	Transmitted to Senate		
2/06	Referred to Highways and Transportation		
3/06	Hearing		
3/07	Committee Executive Action--Bill Concurred as Amended	9	0
3/07	Committee Report--Bill Concurred as Amended		
3/10	2nd Reading Concurred on Voice Vote	39	0
3/12	3rd Reading Concurred	49	0
	Returned to House with Amendments		
4/11	2nd Reading Senate Amendments Concurred	98	2
4/12	3rd Reading Passed as Amended by Senate	95	5
4/12	Sent to Enrolling		
4/13	Returned from Enrolling		
4/17	Signed by Speaker		
4/19	Signed by President		
4/20	Transmitted to Governor		
4/30	Signed by Governor		
4/30	Chapter Number Assigned		
	Chapter Number 436		
	Effective Date: 10/01/2001 - All Sections		

HB 376 Introduced by Lindeen *LC0961 Drafter: Higgins*

Establish Governor's Office of Information Technology

12/05	Fiscal Note Needed		
1/23	Introduced		
1/23	Referred to State Administration		
1/23	Fiscal Note Requested		
1/30	Hearing		
2/02	Committee Executive Action--Bill Passed	16	2
2/02	Committee Report--Bill Passed		
2/05	Fiscal Note Received		
2/16	Fiscal Note Printed		
2/20	Rereferred to Appropriations		
3/08	Hearing		
3/14	Tabled in Committee		
3/24	Missed Deadline for Appropriation Bill Transmittal		

HB 377 Introduced by Somerville, et al. *LC0462 Drafter: Heiman*

Revise Qualified Endowment Tax Credit -- 6-year Extension

11/13	Fiscal Note Needed		
1/23	Introduced		
1/23	Referred to Taxation		
1/23	Fiscal Note Requested		
1/25	Fiscal Note Received		
1/26	Hearing		
1/26	Fiscal Note Printed		
2/16	Committee Executive Action--Bill Passed as Amended	20	0
2/16	Committee Report--Bill Passed as Amended		
2/17	Revised Fiscal Note Requested		
2/20	2nd Reading Passed	97	2
2/21	3rd Reading Passed	97	2
	Transmitted to Senate		
2/28	Referred to Taxation		
3/01	Revised Fiscal Note Received		
3/03	Fiscal Note Printed		
3/15	Hearing		
3/17	Committee Executive Action--Bill Concurred as Amended	9	0
3/17	Committee Report--Bill Concurred as Amended		
3/23	2nd Reading Concurred	42	5
3/24	3rd Reading Concurred	43	4
	Returned to House with Amendments		
4/06	2nd Reading Senate Amendments Concurred	99	0
4/07	3rd Reading Passed as Amended by Senate	97	3
4/07	Sent to Enrolling		
4/09	Returned from Enrolling		
4/09	Signed by Speaker		
4/10	Signed by President		
4/10	Transmitted to Governor		
4/12	Signed by Governor		
4/12	Chapter Number Assigned		
	Chapter Number 226		
	Effective Date: 4/12/2001 - Sections 1(4) and 7		
	Effective Date: 10/01/2001 - Sections 1(1)-1(3), 2-6, and 8		

HB 378 Introduced by Lee, et al. *LC0699 Drafter: C. Erickson*

State Action for Southern Amtrak Route Act (Sara)

H BILL NO. 377

INTRODUCED BY SOMERVILLE
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAX CREDIT FOR CONTRIBUTIONS TO QUALIFIED ENDOWMENTS; EXTENDING THE TERMINATION DATE FOR 6 YEARS; AND AMENDING SECTION 9, CHAPTER 537, LAWS OF 1997."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 9, Chapter 537, Laws of 1997, is amended to read:

"Section 9. Termination. [This act] terminates December 31, ~~2001~~ 2007."

- END -

FISCAL NOTE

Bill #: HB377 **Title:** Revise qualified endowment tax credit - 6-year extension

Primary Sponsor: Roger Somerville **Status:** Introduced

25 JAN '01 — Sponsor signature — Date

Chuck Swysgood, Budget Director — 1/25/01 — Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Revenue:		
General Fund	$0	$(9,755,000)
Net Impact on General Fund Balance:	**$0**	**$(9,755,000)**

Yes	No		Yes	No	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, the credit for contributions by corporations to a qualified endowment provided for in 15-31-161, MCA, and the qualified endowments credit for individual income tax purposes provided for in 15-30-165 and 166, MCA is set to terminate December 31, 2001. This bill would extend the termination date to December 31, 2007, thereby continuing the credit in its current law state for an additional 6 years. There is no impact from this proposal in fiscal year 2002.
2. The current law credit for individual income tax purposes has been in effect beginning with tax year 1997. The following table shows actual growth in this credit over the period tax year 1997 through tax year 1999, and forecast growth for the period tax years 2000 through 2004.

HB 377

Impact of Re-Enacting Charitable Endowment Credit
Individual Income Tax

	CY	FY	Current Law Credit (From Tax Returns)	Proposed Law Credit (From Tax Returns)	Percent Change	Impact of Repealing Termination Date	**Impact After Unused Credit Adjustment**
Actual	1997	1998	1,332,693	1,332,693		0	**0**
Actual	1998	1999	3,288,234	3,288,234	146.74%	0	**0**
Actual	1999	2000	5,660,049	5,660,049	72.13%	0	**0**
Forecast	2000	2001	7,641,066	7,641,066	35.00%	0	**0**
Forecast	2001	2002	8,978,253	8,978,253	17.50%	0	**0**
Forecast	2002	2003	0	9,696,513	8.00%	(9,696,513)	**(9,114,722)**
Forecast	2003	2004	0	10,084,373	4.00%	(10,084,373)	**(9,479,311)**
Forecast	2004	2005	0	10,286,061	2.00%	(10,286,061)	**(9,668,897)**

3. Following implementation, the credit grew by 147% in the first year after implementation, and by 72% in the second year following implementation. Under this bill, the credit *as reported on individual income tax returns* will grow by 35% in fiscal 2001; by 17.5% in fiscal 2002; and by 8% in fiscal 2003. These growth rates reflect a continuation of the decline in the annual growth rate for fiscal 2000 of 50% in each succeeding year through fiscal 2005.
4. This credit is nonrefundable; that is, the credit can be used to reduce tax liabilities only to the extent of tax liabilities and no more. Each year 6% of the amount of the credit reported on individual income tax returns reflects credit in excess of actual liabilities, and is therefore unused credit. The credit cannot be carried forward or backward.
5. Based on the above assumed growth rates, and on the 6% of reported credit that cannot be used to reduce liabilities, this proposal will reduce individual income tax (state general fund) collections by $9,115,000 in fiscal year 2003.
6. The following table shows the actual amount of credit claimed for corporation license tax purposes for fiscal years 1998 through 2000, and the forecast of credit amount claimed for fiscal years 2001 through 2003 under this proposal. The credit grew by 325% in the first fiscal year following implementation, and by 47% in the second fiscal year following implementation. The credit will grow by 20% in fiscal 2001, by 10% in fiscal 2002, and by 5% in fiscal 2003.
7. This proposal will reduce corporation license tax collections (state general fund) by $640,000 in fiscal 2003.

Corporation License Tax
Charitable Endowment Credit

	FY	Credit	Percent Change
A	1998	$73,749	
A	1999	$313,675	325.33%
A	2000	$462,002	47.29%
F	2001	$554,402	20.00%
F	2002	$609,843	10.00%
F	2003	$640,335	5.00%

3. There are no administrative impacts associated with this proposal.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
Revenues:		
General Fund (01)	$0	$(9,755,000)
Net Impact to Fund Balance (Revenue minus Expenditure):		
General Fund (01)	$0	$(9,755,000)

LONG-RANGE IMPACTS:

This proposal is forecast to reduce individual income tax collections by $19.148 million in the 2005 biennium; corporation license tax collections would be reduced an additional $1.28 million; for a total reduction in general fund revenue of $20.428 million. Similar impacts could be expected for the 2007 biennium. Under this proposal, the credit terminates December 31, 2007. There would be one year of impact in the 2009 biennium, in which general fund revenue would be reduced by about $10 million.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - REGULAR SESSION
COMMITTEE ON TAXATION

Call to Order: By **VICE CHAIRMAN RON ERICKSON**, on January 26, 2001 at 8:00 A.M., in Room 303 Capitol.

ROLL CALL

Members Present:

Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Bob Story, Chairman (R)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 328, 1/22/2001; HB 377, 1/23/2001
Executive Action: None.

HEARING ON HB 328 & HB 377

Sponsor: REPRESENTATIVE ROGER SOMERVILLE, HD 78, Kalispell

Proponents:
Jim Ahrens, Montana Hospital Association
Kurt Alme, Department of Revenue
Sidney Armstrong, Montana Community Foundation
Geoff Birnbaum, Missoula Youth Homes
Rita Blouke, United Way
Charles Brooks, Billings Area Chamber of Commerce
Cathy Campbell
Linda Carlston, Nature Conservancy
Marilyn Daumiller, Montana Community Foundation
Barbara Dayer, Intermountain Children's Home
John Delano
John DeWeese, Archie Bray Foundation
Rob Dickey, Intermountain Children's Home
Barbara Dreyer, Intermountain Children's Hospital
Marsha Eidel, Archie Bray Foundation
Eliza Frazer
Tim Furey, Loyola Sacred Heart H.S. Foundation
Christine Giffey-Brohaugh, Salvation Army
Mary Ann Gorsich, Montana Community Foundation
Gregg Groepper, Energy Share
George Harper, Montana League of Women Voters
Judy Held, Foundation for Community Care
Peter Held, Holter Museum of Art
Chase Hibbard
Sharon Hoff-Brodowy, Montana Catholic Conference
Julie Ippolito, HRDC Directors Association
Mona Jamison, Shodair Children's Hospital
Amy Kelley, Governor's Task Force on Endowed Philanthropy
Sandra Kennedy, Carroll College
Joe Kiely
Gerald Koieg, Yellowstone Museum
Martin Lewis, Wells Fargo
William Long, Montana Land Reliance
Michael Magone, Target Range School
Amber Maloney, Montana Community Foundation
Joe Mazurek, D.A. Davidson and Montana Special Olympics
Jami McCall, numerous organizations
Tim McCauley, United Way of Lewis & Clark County
Jon Metropoulos, MTSCPA
Mike Munck, St. Peter's Hospital Foundation
Aidan Myhre, Montana Chamber of Commerce

Jim O'Day, University of Montana Foundation
Sharon Peters, University of Montana Foundation
Bill Pruit, Montana Community Foundation
Clark Pyfer
Alberta Rivera, Montana State Univ. Foundation
Jay Russell, Montana Historical Society Foundation
Michael Schechtman, Big Sky Institute
Deb Schlesinger, Library Foundation
Carl Schweitzer, Bozeman & Kalispell Chambers of Commerce
Karen Sitte, University of Montana Foundation
Corby Skinner, Greater Yellowstone MCF
James Smrcka, CHMS, P.C.
James Soft, Yellowstone Boys & Girls Ranch Foundation
Dustin Stewart, Associated Students of MSU
Vernon Sylvester
Katherine Syreciter
Estelle Tafoya, Beartooth Front Forum
John Talbot, International Choral Festival
Susan Talbot, Task Force on Endowed Philanthropy
Mark Taylor, AMHP
Tenis Tennyson, CMC Foundation
Jeffrey Tiberi, Montana Heritage Commission
Ruth Towe, Moss Mansion Museum
Mitch Tuttle, Montana Hope Project
Cindy Utterback, Anderson Zurmuehlen & Company
Bob Vogel, Montana Small Business Administration
Jeanne Wolverton
Ralph Yaeger, Montana Community Foundation
Steve Yeakel, Montana HRDC Directors Association

Opponents: None.

Opening Statement by Sponsor:

REP. SOMERVILLE submitted a letter into record from a proponent and read his written opening. **EXHIBIT(tah21a01), EXHIBIT(tah21a02)**

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 19.6}

Susan Talbot, Chair, Governor's Task Force on Endowed Philanthropy, said in 1994 Governor Racicot convened a group of national and state leaders in philanthropy to see how we could

encourage giving to endowed philanthropy in Montana. At this time, most Montanans did not understand endowments or how they could help. They proposed a tax credit bill for the 1995 legislature, which was similar to one in Michigan. This bill made many charities afraid their operating funds coming in would diminish as a result of gifts to the endowment, they expressed their concern, and this legislature did not pass the bill. Another bill was proposed in 1997 that passed, which was a tax credit for planned gifts by individuals and outright gifts by businesses only. This legislation has exceeded way beyond their fondest dreams. State government cannot meet all the needs of the citizens, and the non-profit sector helps to make up this difference. A permanent endowment gives long-term stability to a charity, and the tax credit encourages citizens to contribute to those permanent endowments.

James Soft, Executive Vice President, Yellowstone Boys & Girls Ranch Foundation, said America and Montana is unique by having tax policy to encourage philanthropy. Charitable activity is 12% of gross domestic product in this country. Montana's tax credit is especially unique, and he has received many calls from other states wondering how this was done. There is considerably greater revenue losses from this than what was originally projected in 1997. One of the reasons the revenue loss is significant is because the program is working. People now know what endowment is. He gave an example of a situation where an endowment was received. He asked the large trust companies in Montana how many charitable trusts there are, and they said that prior to 1997 there were 28 on their books. Two and a half years later, they had 69. The average trust is $623,000. He gave two examples of someone who developed a charitable trust. If this bill can be made permanent or at least sustain it, the impact will be greatly enhanced and lessen the burden of government.

Sidney Armstrong, Executive Director, Montana Community Foundation, read her read her written testimony and provided additional information on the Montana Community Foundation. **EXHIBIT(tah21a03)**

Judy Held, Director, Foundation for Community Care in Sidney, read her written testimony. **EXHIBIT(tah21a04)**

Jami McCall said she is representing a large number of groups. She is a lobbyist for Deaconess Billings Clinic Health Care Organization. She gave examples of tax credit gifts received at Deaconess. She also is the lobbyist for the Yellowstone Coalition, which includes many organizations in the Billings and Yellowstone County area. She is also representing several children provider groups and listed them for the record.

Captain Christine Giffey-Brohaugh, Salvation Army, read her written testimony. **EXHIBIT(tah21a13)**

George Harper, Montana League of Women Voters, said it is rare to have a law that affects everybody in a beneficial and satisfactory way. They urge the committee and legislature to keep it on the books.

Mike Schechtman, Board President, Big Sky Institute for the Advancement of Nonprofits, read his written testimony. **EXHIBIT(tah21a05)**

Kurt Alme, Director, Department of Revenue, said he agrees with all of the testimony so far. The problem is that this has been too much of a success, and we need to figure out how to effectively work to minimize the tax effect while maximizing the gifts. They want to work with everyone to try to figure out a way to fit this in the budget and try to preserve as much of this credit they can, because it is doing so much good for Montana communities. There are some offsetting benefits, but the problem is how they quantify them and relieve the burdens of government. The Department of Revenue supports this legislation to the extent it can be worked into the budget.

Chase Hibbard gave a brief history of the passing of the endowment bill. There are a lot of things now possible because of this tax credit, but unfortunately these good works come with a price tag. He supports this concept and bill and hopes the resources can be found to meet this successful program and the growing need of Montana. He has received more input on this issue than any other for Montana.

Jim Ahrens, President, Montana Hospital Association, said many of the small hospitals lose money on an average in operations, and investments, foundations, and endowments help make this up. Regarding the fiscal note, it would be interesting to add up all the things these foundations contribute to society and all the jobs and services the hospitals provide and send the bills to the state. The $9 million on the fiscal note might be a bargain.

Mona Jamison, Shodair Children's Hospital of Helena, said the mission of Shodair has been to provide quality healthcare programs for Montana families and children. Public financial support has always been needed to assist with the funding of its operational budget. Endowment funds will continue to make this key source of revenue available in the future. By strengthening Montana endowments, charities are better equipped to help resolve social, educational, and healthcare programs. It keeps financial capital gains tax dollars in Montana, keeps future Federal estate

tax dollars in Montana, saves Montanans Federal income tax dollars, and induces Montanans to be more philanthropic to Montana charities.

Joe Mazurek, D.A. Davidson, said the trust company run by D.A. Davidson prior to 1997 had 10 charitable trusts and now has 45-50. Twenty of those were created in the last month of 2000 due to uncertainty as to whether this credit will continue. The average size of these trusts which exist for 10-20 years is approximately $400,000. There is about a 7% return being generated over this 10-20 years, which is about $28,000 per year in taxable income. So there is actually money being paid out by the trust that is being taxable. The maximum credit that can be taken is $10,000. This is another consideration to take into account when looking at the impact. It is not simply a matter of the tax credit but also a matter of generating income on which income taxes will be paid. This bill encourages giving to charities in Montana keeping the money here and giving a tax benefit to the contributor. Otherwise the money will not stay in the state and go to Federal taxes in many instances.

William Long, Montana Land Reliance, read his written testimony. **EXHIBIT(tah21a06)**

Joe Keiley said the endowment tax credit is a type of tax that provides long-range economic development. It enables organizations to provide essential services that benefit an extraordinarily large sector of the population of Montana. The continuation of this program is a responsible action of this legislature.

Mike Munck, Executive Vice President, St. Peter's Hospital Foundation, said he is providing information and figures that show an increase in taxable income from planned gifts. **EXHIBIT(tah21a07)** Montana's hospitals provide critical services and do this regardless of insurance or personal finance of the people who come to them. He knows of no other business in Montana or the country where you can go with no money and receive costly services. It is income from endowments that help make these services possible to everyone. He gave examples of specific services and how endowments allow these to continue.

Bob Vogel, Director of Governmental Relations, Montana School Boards Association, said all of the school districts and trustees represented support this bill. They believe some things are more important than any fiscal note that could come with a concept.

Sharon Peters, Vice President for Major Fund Development, University of Montana Foundation, said the university has

benefitted greatly from the tax credit. Many gifts made to the university have been directed toward scholarships, and these are very important to students. She gave an example of a specific person and how he set up an endowment for the university for scholarships.

Aidan Myhre, Montana Chamber of Commerce, said the chamber's mission is to promote, advance, improve, and participate in research and education projects for the purpose of encouraging economic development of Montana and its communities. If we want to bring good jobs to Montana and keep our young people here, then we have to start with education. When in business, the concepts of cost and value and cost and benefit are very important for success. Montana is just like a business. The benefits of this tax credit far outweigh the costs. It is an investment in our future.

Mitch Tuttle, Montana Hope Project, explained Montana Hope Project and said planned giving is used to fund the wishes. **EXHIBIT(tah21a08), EXHIBIT(tah21a09)**

Jeffrey Tiberi, Executive Director, Montana Heritage Commission, read his written testimony. **EXHIBIT(tah21a10)**

Jay Russell, Development Director, Montana Historical Society Foundation, read his written testimony. **EXHIBIT(tah21a11)**

Alberta Rivera, Montana State University Foundation, said that even though the tax credit has contributed modestly to the overall growth in their endowment, it has contributed in very important ways. Most of the gifts through the Montana tax credit have gone to support students in scholarships and fellowships.

Tim Furey, Loyola Sacred Heart High School Foundation, read his written testimony. **EXHIBIT(tah21a12)**

Dustin Stewart, Associated Students of Montana State University, said this is very important to students for the money it provides directly to scholarships. Over 53% of the money that came into the foundation went directly to student scholarships. In 1997, they received 13 gifts for $39,000, and it has increased to 55 gifts for $435,000.

Marsha Eidel, Archie Bray Foundation, said the endowment for the foundation has grown more in the last four years than in the entire 46 years previously. They believe that growth is due in part to the incentives generated by the tax credit but also to the knowledge of the benefit of endowment for organizations.

Gregg Groepper, Executive Director, Energy Share of Montana, said they support eliminating the sunset, but as a second choice, at least doing a six-year extension. They started an endowment in 1997, and this will hopefully replace state funding that will no longer be received to help low income people; however, they need an extension or elimination of the sunset to complete this goal. When trying to address the fiscal note, the committee needs to keep in mind the people who are donating are sophisticated and will try to avoid paying tax no matter what, so there will always be a cost associated with this. The cost on the fiscal note is already in the budget for this biennium.

Cindy Utterback, Anderson Zurmuehlen & Company, said their firm has actively promoted this credit and have seen the benefits to both individual taxpayers and Montana's nonprofits. We should look beyond the immediate cost of this credit and look to the future of the investment these people are making in Montana.

Sharon Hoff-Brodowy, Montana Catholic Conference, said the proponents are reflective of how well this law has worked. All of their institutions have benefitted from this charitable opportunity.

Vernon Sylvester said he has taken advantage of this tax credit. He could not have given his gift if it were not for this endowment opportunity.

Katherine Sylvester said Montana's little places have benefitted from this to extend the life of the communities and preserve their heritage. This tax credit should be kept for the little nonprofits in Montana communities.

Clark Pyfer said the CPA Society has gone on record as supporting this bill, and he wants to second all of the testimony.

Written testimony was submitted from James Smrcka, CHMS.
EXHIBIT(tah21a14)

Opponents' Testimony: None.

Questions from Committee Members and Responses:

{Tape : 2; Side : B; Approx. Time Counter : 17.2}

REP. FORRESTER asked for perspectives on how the committee should deal with the fiscal impact to the state. **Chase Hibbard** reviewed the 1997 fiscal note. He said the two obvious things are to either reduce the 50% credit or reduce the $10,000 maximum. If the percentage is decreased, the people taking advantage of this

now may give more so they still get the $10,000 credit. By reducing the maximum of $10,000, it may broaden the support to people who do not have as much to contribute.

REP. BALYEAT said he has heard a criticism of this credit that it tends to favor large charities over small charities because of the complexities of doing a planned gift and asked if there are organizations that provide help for small charities to take advantage of the tax credit. **Michael Schechtman** said the Montana Community Foundation has a program that is directed toward charities establishing endowments under their umbrella and provide a variety of options for planned gifts. The nonprofits in Lewis & Clark county did a survey regarding endowments, and the responses indicated more education and resources, so they provided a seminar series. A number of small nonprofits started endowments due to this. It has been slower for small organizations, but it is starting to happen and they are seeing good progress. **REP. BALYEAT** said another criticism he has heard is this credit is an off-budget appropriation and the universities fail to mention this assistance. He asked if there is a possibility of getting cooperation from the universities to include the monies received from the endowments when reporting their funding levels to the public. **Sharon Peters** said they provide an annual report to the university every year and believes this information is included in that. How that is incorporated into the university's report she does not know. **REP. BALYEAT** asked if the implications of gifts to religious entities with respect to the Montana constitution have been addressed. **REP. SOMERVILLE** said he does not believe this violates our constitution. **REP. BALYEAT** asked the sponsor whether we should eliminate the sunset or extend the sunset. **REP. SOMERVILLE** said he would prefer to eliminate the sunset and believes this will be better for the state.

REP. ESP asked if the Department of Revenue has analyzed how the elimination of the inheritance tax might affect this tax credit. **Kurt Alme** said he does not know if the Department has done any thinking along those lines. His analysis is that the inheritance tax repeal will not have a significant impact, because the Federal estate tax is still there. One of the driving factors for charitable giving in his experience was the Federal estate tax and not the state inheritance tax. If the Federal estate tax is repealed, there probably would be a significant impact on charitable giving as a whole, which might make the importance of this credit even more visible.

REP. BALES asked if the tax revenue from earned income on the trusts was figured into the fiscal note. **Kurt Alme** said no. They would like to take this into account, but it is very

complicated to predict and calculate. Unfortunately at this point they have not been able to quantify the secondary effects heard about. **REP. BALES** asked if there is any kind of estimate at all. **Kurt Alme** said at this point there is not.

REP. ANDERSEN asked what the relationship is between the Montana Land Reliance and the Montana tax credit. **William Long** said they are a nonprofit organization, and as such people can make charitable gifts to them. As part of their program, they have endowment funds established, and the tax credit has allowed them to increase these funds to run the program. **REP. ANDERSEN** asked what the funds are used for. **William Long** said they are a private land conservation group. They work with private landowners throughout Montana to assist them in protecting their land from being developed and to maintain a historical use, which is primarily range land and timber lands.

REP. WAITSCHIES asked if foundations have analyzed how the different tax credits affect taxable income. **Jim Soft** said a careful analysis of the tax credit bill shows about 45% of this is attributable to the outright gifts by the pass-through entities and C-corporations. The Life Income Gift Credits might be the most important credits because it really jump starts the smaller charities. These are the types of gifts that will generate ongoing taxable revenues. For the small charities, there are the trust companies of Montana to help assist with the complex aspects. The present value of the taxable revenues over 20 years is probably going to generate about $2 million in taxes, so the state has made money on these.

REP. SCHMIDT asked what the three communities are that have community foundations. **Sidney Armstrong** said they began with one affiliated community foundation, and then through the initiative she spoke of, Daniels County, Powder River County, and the Blackfeet Reservation joined in on that initiative. Through a lot of other opportunities, over 50 local community foundations are affiliated with them. It is simply for the local area, residents can contribute, the endowment is managed by the community foundation, and they work with those citizens as they identify issues of need. They are the umbrella for the nonprofits and local communities to build their own permanent resource to fund any kind of effort.

REP. ERICKSON asked if someone gave a charitable remainder trust to the university, how much would they get out of that immediately. **Sharon Peters** said nothing. **REP. ERICKSON** asked if it is reasonable to say a citizen is getting a tax benefit but the benefit to the university may be quite far into the future. **Sharon Peters** said this is true depending on the term of the

trust. **REP. ERICKSON** asked what percentage of the gifts go toward general operation of the university. **Sharon Peters** said a very small portion. Almost all of the money the foundation receives is designated for a specific purpose by the donor. Each year there is about $230,000 that comes in unrestricted, mostly from the Missoula business drive, which is given to the president. He uses this money for projects and faculty presentations. The majority of gifts is for scholarships, but some is for faculty development, program startup money, or building of a facility. **REP. ERICKSON** asked how often people ask about giving to charities because they are worried about estate problems. **Kurt Alme** said he had just an estate planning practice so his experience is a bit skewed. Most of the clients who came to him regarding this credit idea, it generated out of an estate planning context. The credit with the current income tax advantage and Federal estate tax advantage was looked at. His experience from speaking to people outside of his own practice, especially the CPA's, was that the credit had a more significant impact on endowed giving than estate tax concerns.

Closing by Sponsor:

{Tape : 3; Side : A; Approx. Time Counter : 25}

REP. SOMERVILLE said he is pleased that the bill was rewritten for 1997 to make it effective. This has been a very good bill and process for Montana. With the charitable endowment credit, we have established some good foundations which provide long-term stability for future operations of many charities. We have a lot of retired people moving to Montana, and they usually bring money with them. Some have said this charitable endowment credit, even with the high income tax, has probably helped them justify staying in Montana. The credit allows the taxpayer to choose where they want to contribute and how their tax dollars will be spent. It allows people to get credit for doing something for their community. This is good tax policy that is good for the citizens of Montana.

ADJOURNMENT

Adjournment: 10:30 A.M.

REP. BOB STORY, Chairman

RHONDA VAN METER, Secretary

BS/RV

EXHIBIT(tah21aad)

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - REGULAR SESSION
COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on February 16, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Ron Erickson, Vice Chairman (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 578, 4/13/2001
Executive Action: HB 578; HB 377

was allowed on ordinary cash gifts every contribution in Montana would be eligible and the fiscal note would be astronomical. **Kurt Alme** said yes. The main reason this bill came at the charities' requests was they were afraid their operating funds would starve while the endowments were being filled. **REP. FORRESTER** asked why it is not said that we just made mistakes when the bill was put into law instead of saying there are loopholes, as this endowment has basically been rewritten and some people might not be happy when they find out about it. **REP. SOMERVILLE** said they do the best they can writing bills, but there is always someone who will find a loophole. The intent was to make sure this was a planned gift because the charities had a fear they would lose their annual contributions. **REP. STORY** said it has never been the policy in the state tax code to allow a 50% tax credit for charitable contributions. People found a way to make a charitable contribution at a 50% tax credit instead of a deduction. **REP. BALYEAT** said some of the questions have substantiated the need to put sunsets in legislation so there is a chance to revisit programs like this. **REP. FORRESTER** asked how many of the people who testified on the bill know about the amendments. **REP. SOMERVILLE** said the group that worked to support this bill was involved with the amendments. He reminded the committee that the amendments addressing Section 4 and 5 of the bill are not included. **REP. SCHMIDT** asked if the Montana Community Foundations know about the amendments. **Aidan Myhre, Governor's Task Force of Endowed Philanthropy,** said a lot of the charities have been kept informed and the Community Foundation is aware and supportive of the amendments. **REP. BALYEAT** asked if there is any idea of what the fiscal impact will be at a 40% credit and if this is in the governor's budget. **Kurt Alme** said it is approximately an extra $280,000. With these significant changes, there could be repercussions on people's behavior, so the fiscal note has some pretty serious assumptions. This is in the governor's budget and they have agreed to the changes. **REP. BALYEAT** asked what the total amount is. **Kurt Alme** said approximately $5.46 million.

Motion/Vote: **REP. SOMERVILLE** moved that **AMENDMENTS DO PASS. Motion carried unanimously.**

Motion/Vote: **REP. SOMERVILLE** moved that **HB 377 DO PASS AS AMENDED. Motion carried unanimously.**

SOMERVILLE said just kill this bill now and come back in two years to revisit this issue. **REP. STORY** asked if the amendment fits in the title of the bill, as the bill just extends the deadline. The fund transfer is another issue. **REP. BALES** said he agrees that this amendment does not fit in the bill. This bill is needed because any banker wants security farther out than just 2-3 years. This program just removes the tax from the ethanol portion of the gasoline you buy. The only way they get the full 30 cents is if all of the product they are using is in Montana. This will boost the economy of Montana, and it is a renewable resource. We need good highways, but they are not renewable and have maintenance costs. **REP. ESP** asked how many full-time employees the plant would have after they are up and running. **Governor Babcock** said approximately 265 full-time employees in Great Falls and possibly 500 for the proposed plant in Conrad. There are also 500 construction jobs with that in Great Falls. **REP. FUCHS** said the fact that the Department of Transportation is not here speaks volumes. The testimony has shown that this is needed. If there is an issue in two years regarding this, it can be brought to the legislature at that time.

Motion/Vote: **REP. SOMERVILLE** moved that **AMENDMENT DO PASS. Motion failed 5-15 with Balyeat, Carney, Esp, Jackson, and Somerville voting aye.**

Motion/Vote: **REP. SOMERVILLE** moved that **HB 578 BE TABLED. Motion failed 1-19 with Somerville voting aye.**

Motion/Vote: **REP. WANZENRIED** moved that **HB 578 DO PASS. Motion carried 18-2 with Esp and Somerville voting no.**

EXECUTIVE ACTION ON HB 377

Motion: **REP. SOMERVILLE** moved that **HB 377 DO PASS.**

Motion: **REP. SOMERVILLE** moved that **AMENDMENTS addressing Sections 1-3 DO PASS.**

Discussion: **EXHIBIT(tah39a01) REP. SOMERVILLE** said the endowment tax credit program has been very successful. They want to extend the program, but because of the fiscal note of $9.1 million, they have addressed amending the program. He explained the amendments. The fiscal note after the decrease to a 40% credit will be $4.5 million. **Kurt Alme, Director, Department of Revenue,** explained the amendments in more detail and how they address the current loopholes. **REP. BALYEAT** asked if this credit

MINUTES

MONTANA SENATE
57th LEGISLATURE - REGULAR SESSION
COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB DEPRATU**, on March 15, 2001 at 8:00 A.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Sen. Alvin Ellis Jr., Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Mack Cole (R)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Bill Glaser (R)
Sen. Dan Harrington (D)

Members Excused: Sen. Emily Stonington (D)

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: House Bill 377, 3/2/2001
Executive Action: House Bill 377 Pass 9-0; Local Options Tax Report

HEARING ON SENATE BILL 377

Sponsor: REPRESENTATIVE ROGER SOMERVILLE, HD 78, Kalispell

Proponents: Sue Talbot, Chair, Governor's Task Force on Endowed Philanthropy; Sidney Armstrong, Montana Community Foundation; Page Dringman, Governor's Task Force on Endowed Philanthropy; Ralph Yaeger, Montana Community Foundation; Dick Crofts, Commissioner of Higher Education; Faye Kommers, MSU Foundation; Gerry Kuhl, Catholic Diocese of Helena; John Cadby, Montana

Banker's Association; Joe Mazurek, DAD Trust Company, Great Falls; Joan Bishop, League of Women Voters of Montana; Jani McCall, Deaconess Billings Clinic; Jon Metropolous, Society of CPA's; Aidan Myhre, Montana Chamber of Commerce and Governor's Task Force; Carl Schweitzer, Bozeman and Kalispell Chamber of Commerce; Mark Taylor, Montana Hospital Association; Aimee Gromosk, Association of Highway Patrol; Sharon Hoff-Broadway, Catholic Conference; Bob Vogel, Montana School Board Association; Kurt Alme, Department of Revenue, SENATOR ALVIN ELLIS; Dustin Stewert, Associated Students; Clark Pyfer, CPA member of Governor's Task Force

Opponents: **Ken Nordtvedt**

Opening Statement by Sponsor: **REPRESENTATIVE SOMERVILLE** presented the bill. He handed in written testimony which cited reasons for renewing the Montana Endowment Tax Credit. **EXHIBIT(tas59a01)** ***{Tape : 1; Side : A; Approx. Time Counter : 0 - 8.7}***

Proponents' Testimony: **Sue Talbot**, Chair, Governor's Task Force on Endowed Philanthropy described the successful philanthropy programs in Montana. ***{Tape : 1; Side : A; Approx. Time Counter : 8.7 - 12.2}***

Sidney Armstrong, Executive Director of the Montana Community Foundation, presented written testimony. **EXHIBIT(tas59a02)**

Page Dringman, from Big Timber and member of the Governor's Task Force on Endowed Philanthropy, described her law firm and their estate planning practice. She mentioned small communities that benefitted through planned gift contributions, such as high schools or volunteer fire departments for example. **EXHIBIT(tas59a03)** ***{Tape : 1; Side : A; Approx. Time Counter : 12.2 - 20}***

Dick Crofts, Commissioner of Higher Education, spoke about the features of higher education in recent years, which has seen the dramatic increase in private and corporate support for colleges and universities. This has been beneficial as public dollars for higher education has been diminishing. These additional resources provide for quality for the benefit of students, staff and faculty. He urged the committee continue the credit as it has been beneficial for fund raising efforts. ***{Tape : 1; Side : A; Approx. Time Counter : 20 - 21}***

Faye Kommers, Director of Foundation Relations at Montana State University in Bozeman, spoke in support of the bill. Their foundation has encouraged giving especially in the area of

scholarships and student aid. She described how the tax credit had helped grow student aid at MSU. ***{Tape : 1; Side : A; Approx. Time Counter : 21 - 24.3}***

Gerry Kuhl, Executive Director for Western Montana Catholic Foundation, testified in favor of the bill. He described the significant resources provided by charitable endowments. **EXHIBIT(tas59a04)**

John Cadby, representing the Montana Bankers Association, testified in support of the bill. The association created a foundation three years ago. He listed contributing banks who contributed $5,000 with a guarantee of $500 scholarship to a high school senior in their communities into perpetuity. **EXHIBIT(tas59a05)** ***{Tape : 1; Side : A; Approx. Time Counter : 25.7 - 27}***

Joe Mazurek, representing DAD Trust Company in Great Falls, testified in support of the bill. Prior to 1997, they had ten charitable remainder trusts in their institution. Now they have nearly 50 and 20 of those were created in the last month of 2000. This demonstrates the level of interest in charitable giving. In addition to building endowments, this creates income from assets that are not in production now. He cited an example, where the average size was $400 thousand dollars with projected income of 7% which would create $28 thousand dollars of taxable income in the state of Montana. This in effect creates additional taxable income which offsets the effect of any credit. That taxable income goes on ten to twenty years. When viewing estate plans, you can either do nothing and give most of it to the Internal Revenue Service, leave it to heirs or give it to a charity. You have to pick two of those choices and most people do not want to give it to the IRS. To give to charity would insure that it stays in this state. He pointed out the history of the state and the amount of money that has left this state to endow charities in New York and the East Coast. This is a very good incentive to keep charitable money in Montana and perhaps to bring money in as well. ***{Tape : 1; Side : A; Approx. Time Counter : 27 - 30}***

SENATOR JOHN BOHLINGER, described a charitable remainder trust he and his wife had formed for rental units and the various beneficiaries that they will be able to fund with the assets of the trust. ***{Tape : 1; Side : B; Approx. Time Counter : 0.0 - 2.5}***

Joan Bishop, representing the Public Library in Helena and the League of Women Voters, presented written testimony in support of the bill. **EXHIBIT(tas59a06)**

Jani McCall, representing Deaconess Billings Clinic, testified in support of the bill. She described the need for an endowment for mental health services. She also spoke for the Yellowstone Coalition, made up of civic leadership including the City of Billings, Yellowstone County, Montana State University Billings, School District 2, the Chamber of Commerce for Yellowstone County, Big Sky Economic Development Group, YMCA and the Association for Homes and Services for Children.

Jon Metropolous, representing the Montana Society of CPA's, testified for the bill. ***{Tape : 1; Side : B; Approx. Time Counter : 4.9 - 5.2}***

Aidan Myhre, representing the Montana Chamber of Commerce and Governor's Task Force, supported the bill. Passing this bill would reduce the funding burden to government.

Carl Schweitzer, representing the Bozeman and Kalispell Chambers, asked for full support for the bill.

Mark Taylor spoke on behalf of the Montana Hospital Association. Planned giving is a vital and important aspect to the financial picture for Montana hospitals.

Aimee Gromosk, testified on behalf of the Montana Highway Patrolmen. She discussed the Hope Program which helped terminally ill children have their wishes granted. This would include going to Disney Land or having a computer or even restoring an old car. Planned giving is one of the ways that has paid into the endowment to grant more than one hundred wishes. ***{Tape : 1; Side : B; Approx. Time Counter : 5.2 - 7.7}***

Sharon Hoff-Broadway, spoke on behalf of the Montana Catholic Conference for the bill. Charities need a reliable source of income. She encouraged the committee to extend the sunset.

Bob Vogel, Montana School Board Association representing 1,500 school trustees across the state, strongly supported the bill.

Kurt Alme, Director of the Department of Revenue, distributed an amendment. **EXHIBIT(tas59a07)** He felt the program had been too successful as the fiscal note had gotten too large. He noted the purpose of the bill was not to allow outright cash gifts to charitable endowments. Charities could go bankrupt in the short term while endowments would grow for the long term. He described the intent of the planned gift which was not meant to be an outright gift. ***{Tape : 1; Side : B; Approx. Time Counter : 9.2 - 18.5}***

SENATOR ALVIN ELLIS stood in support of the bill.

Dustin Stewert, representing the Associated Students, supported the bill.

Clark Pyfer, representing the Society of CPA's and member of the Governor's Task Force, stood in support of the bill.

Opponents' Testimony: **Ken Nordtvedt**, submitted written testimony against the bill, as he could not attend. **EXHIBIT(tas59a08)** ***{Tape : 1; Side : B; Approx. Time Counter : 18.5 - 23}***

Questions from Committee Members and Responses: **SENATOR ELLIS** asked for clarification about the benefactors receiving the 8% each year. **Page Dringman** responded that under the law they get $10 thousand dollars for a Montana income tax credit and they also qualify for a federal deduction for making that gift into a charitable remainder trust. **SENATOR ELLIS** asked if the value of the gift depreciated due to life expectancy tables and draw down of the corpus of the trust over the period of time. The value of the gift according to the example, depending on their age, might be $50-100 thousand dollars. **Ms. Dringman** agreed that they may put an asset worth one million dollars into the trust but based on their life expectancy and how much of it depreciated, even under the federal tax deduction it would be far less than the value of the asset. **SENATOR ELLIS** asked whether the income would be considered capital gain. **Ms. Dringman** replied if they had not set it up in a trust and sold the property outright it would be subject to capital gains tax. You would take the value minus the basis which would be taxed at the capital gains rate. **SENATOR ELLIS** said it was his understanding if the trust sold the land to get the funds, it would be capital income but the trust would not owe taxes. When the recipient draws it out then they have to take it as capital gains income. **Mr. Alme** said that was correct. The charitable remainder trust is not a tax paying entity. When it sells the land there are no consequences. When the new trust payment comes out, it is ordinary income in that trust first, then it will come out as capital gains second, tax exempt income third and then it will come out as returning capital. It is "worst first" as the way it comes out to the tax payer. The effective tax rate on capital gains at the federal level it is 18% for property held more than five years as opposed to a maximum individual rate of 39.6%. He noted at the state level there was a surtax on capital gains. ***{Tape : 1; Side : B; Approx. Time Counter : 23 - 28.4}***

SENATOR ELLINGSON said he was interested in hearing about the incentive of the current program for charitable remainder trusts

and whether it was an effective incentive. The individual that established a charitable remainder trust as a tangible value, such as a $250 thousand dollar trust, could that individual then deduct from their taxes that $250 thousand dollar contribution if they chose to use a deduction as opposed to a credit? **Mr. Alme** replied they could choose to take a state deduction instead of a credit. **SENATOR ELLINGSON** noted that if they took a state deduction, the maximum credit they could get in the year they established the charitable remainder trust would be $10 thousand dollars. He asked if there was a diminishing likelihood that large charitable remainder trusts would opt to take this kind of a credit. The larger the charitable remainder trust, because of the value of it, the more sense it makes to take a deduction than to simply take a credit. **Mr. Alme** replied that you would be allowed to do both. If you made a contribution to a charitable remainder trust that yields $100 thousand dollar charitable deduction at the federal level, you take the first $20 thousand of that and that would turn into a $10 thousand dollar credit. You take the remaining $80 thousand dollar deduction and take it as a state deduction on top of that. **SENATOR ELLINGSON** referred to page 2, lines 26-28, that talked about the credit. **Mr. Alme** replied the key word was "full amount". He said whatever part you did not claim as a deduction, you would be allowed to take 50% of that as a credit up to $10 thousand dollars. **SENATOR ELLINGSON** questioned the contributions by corporations. He asked if the figure was reduced to 20% would that be much incentive to claim the credit as opposed to simply claiming the deduction. **Mr. Alme** replied it would still be about three times the value of the deduction. ***{Tape : 1; Side : B; Approx. Time Counter : 28.4 - 30.6}***

Closing by Sponsor: **REPRESENTATIVE SOMERVILLE** closed. He said there was a lot of support for the bill. The bill is extended for six years so that every contribution that takes place is still at the old rate. After December 31, 2001, the new rates will apply. The program has grown from 1997-98 tax year to include $1.3 million dollars in tax credits that were claimed. In the last actual recorded area, which was 1999-2000 we have had $5.6 million dollars in credits claimed. This year it is estimated to have $9 million dollars from tax credits claimed by this program. It is very successful and it is helping a lot of charities. **SENATOR GROSFIELD** will carry the bill on the Senate floor.

EXECUTIVE ACTION ON HOUSE BILL 377

SENATOR ELLIS MOVED THE BILL AS AMENDED (#37702) AND HE MOVED THE CONCEPTUAL AMENDMENT. The question was called. The motion

PASSED unanimously. **SENATOR ELLIS** said this was a very good piece of legislation. He commented that the opponent, **Ken Nordtvedt** did not understand the bill. The amount of the gift is not just the value of the gift of the trust. Most of the money that the beneficiaries receive as a result of the gift, the 8% that was alluded to that the benefactor takes for the remainder of their life, is quite often taxed at the capital gains rate because the federal rate is at 20% now and going to 18% and the deductibility on that gain is less on a federal basis until the effective tax rate for Montana is higher. Currently it is around 8% where other income is only 6.6% and it will go incrementally higher when the federal rate drops. Montana in the long run wins on tax revenue but they have to give it up in the short term. ***{Tape : 2; Side : A; Approx. Time Counter : 6.7 - 9.5}***

SENATOR COLE said he supported the bill and felt it was beneficial to the state. He had been concerned about the 50% but the change to 20% was helpful.

The question was called. The motion **PASSED** 8-0 with **SENATOR GLASER** being absent.

ADJOURNMENT

Adjournment: 9:15 A.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT

EXHIBIT(tas59aad)